

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Westland</u>	County Wayne
Audit Date June 30, 2005	Opinion Date October 18, 2005	Date Accountant Report Submitted To State: December 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 1000 Oakbrook Drive, Suite 400	City Ann Arbor	State MI	ZIP 48104
Accountant Signature <i>Plante & Moran, PLLC</i>			

City of Westland, Michigan

**Financial Report
with Supplemental Information
June 30, 2005**

City of Westland, Michigan
Financial Report
June 30, 2005

MAYOR SANDRA A. CICIRELLI

City Council

Charles W. Pickering, President
James Godbout, President Pro Tem
Cheryl Graunstadt
Michael Kehrer
Richard LeBlanc
Robert Stottlemeyer
William R. Wild

City Administration

Budget Director
Building
CATV/Community Relations
City Assessor
City Clerk
Community Development Programs
Construction Maintenance Superintendent
Controller
Executive Assistant
Finance
Fire Chief
Law
Management Information System
Parks and Recreation
Personnel
Police Chief
Public Service
Planning
Senior Resources Director
Water and Sewer Superintendent

Debra A. Szajko
Sue L. Dodson
Craig Welkenbach
James H. Elrod
Eileen DeHart
James Gilbert
Kevin L. Buford
Dwayne R. Harrigan
Terry Carroll
Steven J. Smith
Michael J. Reddy
Angelo A. Plakas
Charles Nalbandian
Robert Kosowski
Keith Madden
Daniel Pfannes
Thomas Wilson
Bruce Thompson
Peggy Ellenwood
Don Rohraff

City of Westland, Michigan

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Independent Auditor's Report

To the Members of the City Council
City of Westland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the City Council
City of Westland, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2005 on our consideration of the City of Westland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 18, 2005

City of Westland, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- The State of Michigan reduced state-shared revenue, our second largest revenue, by \$100,000 this year. Although this decrease was smaller than the previous fiscal year of \$1,000,000, it represents the fourth straight year of declines. To offset the reduction in state-shared revenues, the City has made cuts to departmental budgets and delayed some capital expenditures.
- The total net assets related to the City's governmental activities decreased by approximately \$23.5 million. However, fund balances for the governmental funds increased by approximately \$1.7 million during the year. The General Fund unreserved fund balance increased by nearly \$1.1 million. The most significant difference between the increase in fund balances and the decrease in net assets relates to the capitalization and depreciation of capital assets in the government-wide statement of net assets.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The City of Westland as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 18,812,117	\$ 16,694,010	\$ 11,231,171	\$ 11,608,655	\$ 30,043,288	\$ 28,302,665
Noncurrent assets	361,429,574	385,225,565	76,733,914	76,506,240	438,163,488	461,731,805
Total assets	380,241,691	401,919,575	87,965,085	88,114,895	468,206,776	490,034,470
Liabilities						
Current liabilities	8,517,071	7,666,731	4,068,219	4,385,258	12,585,290	12,051,989
Long-term liabilities	20,667,118	19,712,386	4,200,000	4,957,017	24,867,118	24,669,403
Total liabilities	29,184,189	27,379,117	8,268,219	9,342,275	37,452,408	36,721,392
Net Assets						
Invested in capital assets - Net of related debt	346,568,898	372,186,551	70,984,832	68,512,942	417,553,730	440,699,493
Restricted	10,235,138	7,061,261	792,065	1,367,065	11,027,203	8,428,326
Unrestricted (deficit)	(5,746,534)	(4,707,354)	7,919,969	8,892,613	2,173,435	4,185,259
Total net assets	<u>\$ 351,057,502</u>	<u>\$ 374,540,458</u>	<u>\$ 79,696,866</u>	<u>\$ 78,772,620</u>	<u>\$ 430,754,368</u>	<u>\$ 453,313,078</u>

The City's combined net assets decreased 5 percent from a year ago - decreasing from \$453,313,078 to \$430,754,368. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2005, depreciation expense was approximately \$32,600,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$5,747,009 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees, which will be paid from future revenue sources. This accrual is approximately \$7,700,000

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Net Assets - Beginning of year	\$ 374,540,458	\$ 406,204,620	\$ 78,772,620	\$ 76,831,879	\$ 453,313,078	\$ 483,036,499
Revenue						
Program revenue:						
Charges for services	18,722,006	17,348,371	17,750,043	17,291,375	36,472,049	34,639,746
Operating grants and contributions	6,846,978	7,540,649	93,629	198,407	6,940,607	7,739,056
Capital grants and contributions	935,381	613,827	2,204,287	2,289,925	3,139,668	2,903,752
General revenue:						
Property taxes	25,872,012	22,271,432	-	-	25,872,012	22,271,432
State-shared revenue	8,815,306	8,921,949	-	-	8,815,306	8,921,949
Refund of captured property taxes	2,316,593	1,788,389	-	-	2,316,593	1,788,389
Interest	411,458	160,085	74,235	38,794	485,693	198,879
Transfers and other revenue	63,000	621,799	(63,000)	(621,799)	-	-
Total revenue	63,982,734	59,266,501	20,059,194	19,196,702	84,041,928	78,463,203
Program Expenses						
General government	11,407,312	10,807,326	-	-	11,407,312	10,807,326
Public safety	29,492,883	28,170,830	-	-	29,492,883	28,170,830
Public works	37,097,029	41,964,574	-	-	37,097,029	41,964,574
Community and economic development	2,236,534	3,118,119	-	-	2,236,534	3,118,119
Cultural and recreation	6,591,712	6,148,193	-	-	6,591,712	6,148,193
Miscellaneous	27,430	69,396	-	-	27,430	69,396
Interest on long-term debt	612,790	652,225	-	-	612,790	652,225
Water and sewer	-	-	19,134,948	17,255,961	19,134,948	17,255,961
Total program expenses	87,465,690	90,930,663	19,134,948	17,255,961	106,600,638	108,186,624
Change in Net Assets	(23,482,956)	(31,664,162)	924,246	1,940,741	(22,558,710)	(29,723,421)
Net Assets - End of year	\$ 351,057,502	\$ 374,540,458	\$ 79,696,866	\$ 78,772,620	\$ 430,754,368	\$ 453,313,078

Governmental Activities

The City's total governmental revenues increased by approximately \$4.7 million, despite decreases in state-shared revenue. The increase, which represents nearly 8 percent, was primarily due to the increase in real property taxable value and millages. Millages increased for the Police and Fire Retirement and Drain Debt by 1.2135 and .0958, respectively. The increase in revenue was also due to more diversified investing yielding higher investment income.

Expenses decreased by approximately \$3.3 million during the year. Part of the decrease was due to reduced costs related to operational changes at the Central Wayne County Sanitation Authority.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. Usage of the water system remained relatively consistent with usage in the prior year. Effective July 1, 2004, the City Council increased the water rate by 2.83 percent and the sewer rate by 2.33 percent to pass on the increase in costs from the City of Detroit and Wayne County. Effective July 1, 2005, the City Council increased water rates by 1.8 percent while maintaining the existing sewer rate.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as major and local road maintenance and debt service. The City's major funds for 2005 include the General Fund, the Major Road Fund, the Local Road Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$23.5 million in 2005. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, and the mayor's office), sanitation, and recreation. General Fund expenditures increased by approximately \$3.0 million. A primary reason for that increase is salaries and fringe benefits in police and fire. The City closely monitored its spending in all other areas, including capital outlay, conferences and seminars, and any nonessential services.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change to the original budget was an increase to the Highway Maintenance Department of approximately \$365,000 to account for tree removal and catch basin repair. Also, there was an increase in the engineering department of \$300,000 to account for the increased activity in the department due to several new and ongoing projects. The insurance and bond accounts were amended by \$150,000 to account for an increase in the workers' compensation and general liability insurance costs. City departments overall stayed below budget, with the exception of insurance and bonds, law, ice arena, and youth assistance. Despite these exceptions, the City still maintained total expenditures of \$3,300,000 below budget.

Even with the decrease in state-shared revenues, the General Fund fund balance (reserved and unreserved) increased from \$2,974,865 to \$5,794,557.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

As of June 30, 2005, the City had a total of approximately \$437.4 million invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines.

Capital Asset and Debt Administration

Due to budget constraints, capital expenditures were limited during the fiscal year but higher than the prior year. Examples of capital expenditures include a wide area network for the cable department, 10 police cars for the police department, a fire truck for the fire department, a sewer jet for the water department, and two new street sweepers and salt trucks. Also, many major and local road projects were completed, some with the help of federal grant money. Other needed major capital purchases have been defrayed to future years.

Debt service makes up approximately 2.8 percent of the total expenditures of the governmental funds. Bonded debt and other long-term obligations were reduced by approximately \$3.3 million. However, outstanding bonds actually increased due to the issuance of new debt in the current year.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 8, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2006 takes into consideration another potential decrease in state-shared revenue and a cautious economic climate. Because of the impact of state legislation (Proposal A), an increase in property tax revenue as a result of increasing taxable value will be small. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions. As a result, the City will need to continue to watch the budget very closely.

As discussed above, the fiscal year ending June 30, 2006 budget anticipates that the water costs will increase. As a result, the water rates were raised 1.8 percent, effective July 1, 2005.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the finance department.

City of Westland, Michigan

Statement of Net Assets June 30, 2005

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 10,169,601	\$ 3,405,911	\$ 13,575,512	\$ 2,025,269
Investments (Note 3)	677,758	302,379	980,137	350,563
Receivables (Note 4)	7,100,610	7,602,435	14,703,045	427,052
Internal balances	411,085	(411,085)	-	-
Inventories	10,588	331,531	342,119	-
Prepaid costs and other assets	442,475	-	442,475	-
Restricted assets (Note 6)	-	792,065	792,065	1,136,472
Capital assets - Net (Note 5):				
Not being depreciated	2,340,379	-	2,340,379	1,729,531
Depreciable - Net	359,089,195	75,941,849	435,031,044	-
Total assets	380,241,691	87,965,085	468,206,776	5,668,887
Liabilities				
Accounts payable	1,749,420	2,558,627	4,308,047	209,245
Accrued and other liabilities	3,017,253	582,968	3,600,221	13,406
Deferred revenue (Note 4)	167,612	-	167,612	-
Deficit from joint ventures	1,677,328	-	1,677,328	-
Long-term debt (Note 8):				
Due within one year	3,582,786	926,624	4,509,410	385,000
Due in more than one year	18,989,790	4,200,000	23,189,790	2,210,000
Total liabilities	29,184,189	8,268,219	37,452,408	2,817,651
Net Assets				
Invested in capital assets - Net of related debt	346,568,898	70,984,832	417,553,730	(470,469)
Restricted:				
Road improvements	3,698,968	-	3,698,968	-
Library operations	1,354,406	-	1,354,406	-
Other (Note 13)	5,181,764	792,065	5,973,829	1,347,858
Unrestricted	(5,746,534)	7,919,969	2,173,435	1,973,847
Total net assets	\$ 351,057,502	\$ 79,696,866	\$ 430,754,368	\$ 2,851,236

City of Westland, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
		Services		
Primary government - Governmental activities:				
General government	\$ 11,407,312	\$ 8,226,265	\$ 159,834	\$ -
Public safety	29,492,883	7,390,663	29,481	10,077
Public works	37,097,029	1,073,022	4,925,580	925,304
Community and economic development	2,236,534	-	1,524,027	-
Cultural and recreation	6,591,712	2,032,056	208,056	-
Miscellaneous	27,430	-	-	-
Interest on long-term debt	612,790	-	-	-
Total primary government - Governmental activities	87,465,690	18,722,006	6,846,978	935,381
Business-type activities - Water and sewer	19,134,948	17,750,043	93,629	2,204,287
Total primary government	<u>\$ 106,600,638</u>	<u>\$ 36,472,049</u>	<u>\$ 6,940,607</u>	<u>\$ 3,139,668</u>
Component units	<u>\$ 1,543,762</u>	<u>\$ -</u>	<u>\$ 211,386</u>	<u>\$ 344,836</u>

General revenues:

Property taxes
State-shared revenues
Refund of captured property taxes
Interest and sundry

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets - Beginning of year -
As adjusted (Note 18)

Net Assets - June 30, 2005

Statement of Activities
Year Ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,021,213)	\$ -	\$ (3,021,213)	\$ -
(22,062,662)	-	(22,062,662)	-
(30,173,123)	-	(30,173,123)	-
(712,507)	-	(712,507)	-
(4,351,600)	-	(4,351,600)	-
(27,430)	-	(27,430)	-
(612,790)	-	(612,790)	-
(60,961,325)	-	(60,961,325)	-
-	913,011	913,011	-
(60,961,325)	913,011	(60,048,314)	-
-	-	-	(987,540)
25,872,012	-	25,872,012	5,466,231
8,815,306	-	8,815,306	-
2,316,593	-	2,316,593	(3,393,901)
411,458	74,235	485,693	215,419
63,000	(63,000)	-	-
37,478,369	11,235	37,489,604	2,287,749
(23,482,956)	924,246	(22,558,710)	1,300,209
374,540,458	78,772,620	453,313,078	1,551,027
\$ 351,057,502	\$ 79,696,866	\$ 430,754,368	\$ 2,851,236

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2005

	Major Funds			Other Nonmajor	Total
	General Fund	Major Roads Fund	Local Roads Fund	Governmental Funds	Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 3,131,115	\$ 2,555,970	\$ 1,079,946	\$ 3,287,528	\$ 10,054,559
Investments (Note 3)	-	577,758	-	100,000	677,758
Receivables - Net (Note 4)	1,471,255	105	109,670	610,446	2,191,476
Prepaid costs and other assets	408,494	29,785	-	-	438,279
Due from other funds (Note 7)	1,696,756	-	19	316,293	2,013,068
Due from other governmental units	3,357,048	565,636	203,312	783,138	4,909,134
Total assets	<u>\$ 10,064,668</u>	<u>\$ 3,729,254</u>	<u>\$ 1,392,947</u>	<u>\$ 5,097,405</u>	<u>\$ 20,284,274</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,306,450	\$ 911	\$ 23,895	\$ 197,219	\$ 1,528,475
Accrued and other liabilities	1,689,396	-	-	109,587	1,798,983
Due to other funds	833,602	578,442	716,756	636,373	2,765,173
Deferred revenue (Note 4)	440,663	-	103,229	203,612	747,504
Total liabilities	4,270,111	579,353	843,880	1,146,791	6,840,135
Fund Balances					
Reserved for:					
Retirement system	1,780,000	-	-	-	1,780,000
Sanitation	1,305,000	-	-	-	1,305,000
Other purposes	408,494	-	-	112,208	520,702
Unreserved	2,301,063	3,149,901	549,067	-	6,000,031
Unreserved - Reported in nonmajor:					
Special Revenue Funds	-	-	-	3,235,619	3,235,619
Debt Service Funds	-	-	-	256,880	256,880
Capital Project Funds - Designated	-	-	-	345,907	345,907
Total fund balances	5,794,557	3,149,901	549,067	3,950,614	13,444,139
Total liabilities and fund balances	<u>\$ 10,064,668</u>	<u>\$ 3,729,254</u>	<u>\$ 1,392,947</u>	<u>\$ 5,097,405</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					358,228,858
Deferred revenue reported in the governmental funds, but not in the government-wide statements					579,892
Accrued interest on long-term liabilities is not reported in the funds					(163,652)
Long-term liabilities are not due and payable in the current period and are not reported in the funds					(21,706,788)
Accumulated deficits from joint ventures are included as part of governmental activities					(1,677,328)
Internal Service Funds are included as governmental activities					2,352,381
Net assets of governmental activities					<u>\$ 351,057,502</u>

City of Westland, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Road Fund	Local Road Fund		
Revenues					
Property taxes	\$ 23,309,276	\$ -	\$ -	\$ 2,434,251	\$ 25,743,527
Licenses and permits	1,430,602	-	-	-	1,430,602
Federal sources	10,077	-	-	1,524,027	1,534,104
State sources	9,170,879	3,499,452	1,256,847	75,441	14,002,619
Local sources	477,471	-	-	1,266,195	1,743,666
Charges for services	9,206,305	-	-	957,731	10,164,036
Court fines and fees	3,822,316	-	-	-	3,822,316
Special assessments	-	-	67,528	872,640	940,168
Refund of captured property taxes	2,081,754	-	-	234,839	2,316,593
Interest and other	1,873,584	136,234	5,843	98,052	2,113,713
Total revenues	51,382,264	3,635,686	1,330,218	7,463,176	63,811,344
Expenditures					
General government	10,884,021	-	-	-	10,884,021
Public safety	29,435,713	-	-	32,378	29,468,091
Highways, streets, and drains	-	4,060,064	3,931,286	3,000	7,994,350
Street lighting	-	-	-	1,094,177	1,094,177
Sanitation	4,207,539	-	-	-	4,207,539
Cultural and recreation	3,116,286	-	-	5,021,316	8,137,602
Contracted services	-	-	-	415,402	415,402
Debt service	-	-	-	1,836,504	1,836,504
Sundry	1,108,013	-	-	24,976	1,132,989
Total expenditures	48,751,572	4,060,064	3,931,286	8,427,753	65,170,675
Excess of Revenues Over (Under) Expenditures	2,630,692	(424,378)	(2,601,068)	(964,577)	(1,359,331)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	3,000,000	-	-	3,000,000
Operating transfers in (Note 7)	418,156	-	1,886,649	954,929	3,259,734
Operating transfers out (Note 7)	(229,156)	(2,484,778)	-	(482,800)	(3,196,734)
Total other financing sources (uses)	189,000	515,222	1,886,649	472,129	3,063,000
Net Change in Fund Balances	2,819,692	90,844	(714,419)	(492,448)	1,703,669
Fund Balances - July 1, 2004	2,974,865	3,059,057	1,263,486	4,443,062	11,740,470
Fund Balances - June 30, 2005	<u>\$ 5,794,557</u>	<u>\$ 3,149,901</u>	<u>\$ 549,067</u>	<u>\$ 3,950,614</u>	<u>\$ 13,444,139</u>

City of Westland, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 1,703,669
Amounts reported for governmental activities in the statement of activities are different because:	
Assets donated to the City are not recorded as revenue in the governmental funds	857,776
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(25,088,158)
Delinquent personal property tax revenues are recorded in the statement of activities when the taxes are assessed; they are not reported in the funds until collected or collectible within 60 days of year end	126,572
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(55,402)
Certain revenues in the E-911 fund are recorded in the statement of activities when they are earned; they are not reported in the funds until collected or collectible within 60 days of year end	1,913
Proceeds from the issuance of long-term debt is a revenue in the governmental funds, but not in the statement of activities	(3,000,000)
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)	1,366,825
Change in accrued interest on long-term debt is not recorded in the governmental funds	17,113
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(154,301)
Changes in joint venture deficits are not recorded in the governmental funds, but are recorded in the statement of activities	549,381
Internal Service Funds are also included as governmental activities	191,656
Change in Net Assets of Governmental Activities	\$ (23,482,956)

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2005

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,405,911	\$ 115,042
Investments	302,379	-
Receivables - Net	7,602,435	-
Due from other funds (Note 7)	13,719	1,212,801
Inventories	331,531	10,588
Prepaid costs and other assets	-	4,195
Total current assets	11,655,975	1,342,626
Noncurrent assets:		
Restricted assets	792,065	-
Capital assets	75,941,849	3,200,716
Total noncurrent assets	76,733,914	3,200,716
Total assets	88,389,889	4,543,342
Liabilities		
Current liabilities:		
Accounts payable	2,558,627	220,945
Accrued and other liabilities	308,944	1,054,618
Due to other funds	424,804	49,611
Escrow deposits	274,024	-
Current portion of long-term debt	926,624	252,047
Total current liabilities	4,493,023	1,577,221
Long-term debt - Net of current portion	4,200,000	613,741
Total liabilities	8,693,023	2,190,962
Net Assets		
Investment in capital assets - Net of related debt	70,984,832	2,334,928
Restricted	792,065	-
Unrestricted	7,919,969	17,452
Total net assets	\$ 79,696,866	\$ 2,352,380

City of Westland, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2005

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenues		
Water and sewer	\$ 15,855,147	\$ -
Charges for services	851,550	4,682,692
Penalties	675,576	-
Federal sources	32,216	-
State sources	61,413	-
Rent	36,600	-
Other	331,170	-
Total operating revenues	17,843,672	4,682,692
Operating Expenses		
Cost of water	3,813,539	-
Cost of sewage disposal	5,609,765	-
Wages and fringe benefits	2,861,934	536,486
Contracted services	4,144,031	131,300
Operating supplies	378,223	335,867
Repairs and maintenance	28,045	407,884
Insurance, claims, and other	-	2,223,265
Depreciation	1,227,956	878,493
Sundry	161,916	-
Rentals	650,953	13,700
Total operating expenses	18,876,362	4,526,995
Operating Income (Loss)	(1,032,690)	155,697
Nonoperating Revenue (Expenses)		
Investment income	74,235	1,464
Interest expense	(258,586)	(20,955)
Gain on disposal of assets	-	55,450
Total nonoperating revenue (expenses)	(184,351)	35,959
Income (Loss) - Before other financing uses and capital contributions	(1,217,041)	191,656
Other Financing Uses - Operating transfers out (Note 7)	(63,000)	-
Capital Contributions	2,204,287	-
Change in Net Assets	924,246	191,656
Net Assets - July 1, 2004	78,772,620	2,160,724
Net Assets - June 30, 2005	\$ 79,696,866	\$ 2,352,380

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2005

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 17,066,924	\$ -	\$ 17,066,924
Payments to suppliers	(14,104,650)	(782,145)	(14,886,795)
Payments to employees	(2,860,167)	(536,892)	(3,397,059)
Internal activity - Payments from other funds	-	4,080,521	4,080,521
Claims paid	-	(1,918,571)	(1,918,571)
Other receipts	39,331	-	39,331
Net cash provided by operating activities	141,438	842,913	984,351
Cash Flows from Noncapital Financing Activities -			
Receipt of amounts owed from other funds	156,504	-	156,504
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments and fees	822,431	-	822,431
Operating transfers to other funds	(63,000)	-	(63,000)
Principal and interest paid on long-term debt	(1,927,802)	(280,811)	(2,208,613)
Purchase of capital assets	(648,774)	(864,541)	(1,513,315)
Proceeds from sale of assets	-	55,450	55,450
Net cash used in capital and related financing activities	(1,817,145)	(1,089,902)	(2,907,047)
Cash Flows from Investing Activities - Interest received on investments and other assets	70,703	1,464	72,167
Net Decrease in Cash and Cash Equivalents	(1,448,500)	(245,525)	(1,694,025)
Cash and Cash Equivalents - July 1, 2004	5,931,790	360,567	6,292,357
Cash and Cash Equivalents - June 30, 2005	<u>\$ 4,483,290</u>	<u>\$ 115,042</u>	<u>\$ 4,598,332</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 3,405,911	\$ 115,042	\$ 3,520,953
Investments	302,379	-	302,379
Restricted assets (Note 6)	775,000	-	775,000
Total	<u>\$ 4,483,290</u>	<u>\$ 115,042</u>	<u>\$ 4,598,332</u>

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2005

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (1,032,690)	\$ 155,697	\$ (876,993)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,227,956	878,493	2,106,449
Changes in assets and liabilities:			
Receivables	(646,519)	-	(646,519)
Due from other governmental units	232,386	-	232,386
Due from other funds	-	(403,249)	(403,249)
Inventory	51,829	(222)	51,607
Other assets	-	(900)	(900)
Accounts payable	710,672	109,173	819,845
Accrued and other liabilities	(115,512)	302,843	187,331
Due to other funds	(286,684)	(198,922)	(485,606)
Net cash provided by operating activities	<u>\$ 141,438</u>	<u>\$ 842,913</u>	<u>\$ 984,351</u>

Noncash Activities - Capital assets of \$1,381,856 were acquired through contributions from developers.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2005

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 3,435,562
Investments (Note 3):		
U.S. government securities	6,712,676	-
Corporate bonds	24,409,540	-
Common stock	67,198,672	-
Real estate investment trust	2,000,000	-
Mutual funds	21,884,301	-
Accrued interest and other assets	235,108	1,419
Total assets	122,440,297	3,436,981
Liabilities		
Accounts payable	-	8,335
Accrued and other liabilities	-	2,480,847
Due to other governmental units	-	947,799
Total liabilities	-	3,436,981
Net Assets - Held in trust for pension benefits and other purposes	\$ 122,440,297	\$ -

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2005

	Pension Trust Fund - Police and Fire Retirement
Additions	
Investment income:	
Interest and dividends	\$ 2,521,887
Net increase in fair value of investments	9,235,683
Investment-related expenses	<u>(150,201)</u>
Total investment income	11,607,369
Employer contributions:	
Pension	3,287,050
Medical insurance	<u>1,861,737</u>
Total contributions	5,148,787
Deductions	
Benefit payments	6,157,114
Medical premiums	<u>1,861,737</u>
Total deductions	<u>8,018,851</u>
Net Increase	8,737,305
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>113,702,992</u>
End of year	<u><u>\$ 122,440,297</u></u>

City of Westland, Michigan

Component Units Statement of Net Assets June 30, 2005

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authorities		Total
				District 1	District 2	
Assets						
Cash and cash equivalents (Note 3)	\$ 1,148,029	\$ 4,838	\$ 655,680	\$ 216,722	\$ -	\$ 2,025,269
Investments (Note 3)	-	-	-	350,563	-	350,563
Accrued interest receivable	-	-	-	395,280	-	395,280
Due from other governmental units	31,772	-	-	-	-	31,772
Restricted assets	1,136,472	-	-	-	-	1,136,472
Capital assets (Note 5)	1,729,531	-	-	-	-	1,729,531
Total assets	4,045,804	4,838	655,680	962,565	-	5,668,887
Liabilities						
Accounts payable	209,208	-	-	37	-	209,245
Accrued interest	13,406	-	-	-	-	13,406
Long-term debt (Note 8):						
Due within one year	300,000	-	85,000	-	-	385,000
Due in more than one year	1,900,000	-	310,000	-	-	2,210,000
Total liabilities	2,422,614	-	395,000	37	-	2,817,651
Net Assets						
Investment in capital assets - Net of related debt	(470,469)	-	-	-	-	(470,469)
Restricted for construction	1,136,472	-	-	-	-	1,136,472
Restricted for debt service	-	-	211,386	-	-	211,386
Unrestricted	957,187	4,838	49,294	962,528	-	1,973,847
Total net assets	\$ 1,623,190	\$ 4,838	\$ 260,680	\$ 962,528	\$ -	\$ 2,851,236

City of Westland, Michigan

	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority
Governmental Activities				
Downtown Development Authority - Operations	\$ 1,082,482	\$ -	\$ 344,836	\$ (737,646)
Economic Development Corporation - Operations	-	-	-	-
Local Development Finance Authority - Operations	70,110	211,386	-	-
Tax Increment Finance Authority - District 1 Operations	391,170	-	-	-
Tax Increment Finance Authority - District 2 Operations	-	-	-	-
Total governmental activities	<u>\$ 1,543,762</u>	<u>\$ 211,386</u>	<u>\$ 344,836</u>	(737,646)
General revenues:				
Property taxes				1,084,641
Property tax refunds				-
Interest and sundry				<u>42,615</u>
Total general revenues				<u>1,127,256</u>
Change in Net Assets				389,610
Net Assets (Deficit) - July 1, 2004 -				
As restated (Note 18)				<u>1,233,580</u>
Net Assets - June 30, 2005				<u>\$ 1,623,190</u>

**Component Units
Statement of Activities
Year Ended June 30, 2005**

Net (Expense) Revenue and Changes in Net Assets (Deficit)				
Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority - District 1	Tax Increment Finance Authority - District 2	Total
\$ -	\$ -	\$ -	\$ -	\$ (737,646)
-	-	-	-	-
-	141,276	-	-	141,276
-	-	(391,170)	-	(391,170)
-	-	-	-	-
-	141,276	(391,170)	-	(987,540)
-	242,686	4,138,904	-	5,466,231
-	-	(3,393,901)	-	(3,393,901)
-	3,185	169,619	-	215,419
-	245,871	914,622	-	2,287,749
-	387,147	523,452	-	1,300,209
4,838	(126,467)	439,076	-	1,551,027
\$ 4,838	\$ 260,680	\$ 962,528	\$ -	\$ 2,851,236

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Westland, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The City is governed by an elected mayor and an elected seven-member council. The accompanying financial statements present the City of Westland, Michigan and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government, and separate financial statements are not issued.

The City of Westland Building Authority is governed by a five-member board that is appointed by the mayor and approved by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activity of the City of Westland Building Authority is reported within the Building Authority Debt - Tower and Building Authority Debt - Court Expansion Debt Service Funds.

Discretely Presented Component Units

- a. The Local Development Finance Authority and the Tax Increment Finance Authorities, Districts 1 and 2, were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authorities' governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

- c. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.
- d. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, special assessments, state-shared revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. All other revenue items, such as fines and permits, are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Major Roads Fund - The Major Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on major roads.

Local Roads Fund - The Local Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on local roads.

The City reports the following major proprietary fund:

Enterprise Fund - Water and Sewer - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

Internal Service Funds - The Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Fiduciary Funds - The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees. The Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts had been recorded as the City believes all receivables will be collected.

Property Taxes - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on August 15, with the final collection date of February 28 before they are added to the delinquent county tax rolls.

The 2004 taxable valuation of the City totaled approximately \$2.03 billion, on which ad valorem taxes levied consisted of 6.4841 mills for the City's operating purposes, .9478 mills for operation of the library, 3.3500 mills for the Police and Fire Pension Fund, 2.4308 mills for sanitation, and .3980 mills for water and sewer debt service. The ad valorem taxes levied raised approximately \$13.1 million for City operations, approximately \$1.9 million for operation of the library, approximately \$6.8 million for the Police and Fire Pension Fund, approximately \$4.9 million for sanitation, and approximately \$0.8 million for water and sewer debt service. Portions of the amounts levied have been captured by the tax increment financing authorities reported in the component units. These amounts, net of the amounts reported by the component units, are recognized in the respective General Fund, Special Revenue Fund, and Debt Service Fund financial statements as taxes receivable or as tax revenue.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City's water and sewer lines.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives:

Roads and sidewalks	20-30 years
Buildings and improvements	20-40 years
Water and sewer distribution system	100 years
Tools and equipment	2-40 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn sick and vacation time based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. The face amount of debt issued is reported as other financing sources in the governmental fund-based statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than as a reduction of expenditures, transfers are included as revenue and expenditures, and proceeds of long-term debt are included as revenue.

The annual budget is prepared by the City management and submitted to the City Council by April 1 of each year. The budget is adopted by the City Council at the first Council meeting in June. Subsequent amendments are approved by the City Council. Amendments may be made by the City Council up until the last day of the fiscal year. The General Fund budget, including the District Court, has been adopted on a departmental basis. The other funds' budgets have been adopted on an aggregate basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Funds is presented as required supplementary information. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at City Hall.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund:		
General - Law	\$ 550,000	\$ 620,554
Engineering	732,121	760,177
Insurance and bonds	2,015,000	2,505,784
Local Roads Fund	3,904,039	3,931,286

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$15,295,605 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$3,324,892 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. Treasury securities (pension)	\$ 1,091,079	7.36
U.S. Agency securities (pension)	5,489,173	20.01
Corporate securities (pension)	11,798,443	8.94

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 3 - Deposits and Investments (Continued)

At year end, the average maturity of the investment for the City's component units is as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. Treasury securities	\$ 745,841	6.50

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Comerica J Fund	\$ 2,619,561	AI, PI	S&P, Moody's
Corporate securities (pension)	429,862	A	S&P
Corporate securities (pension)	632,355	A+	S&P
Corporate securities (pension)	119,436	A-	S&P
Corporate securities (pension)	344,174	AA-	S&P
Corporate securities (pension)	2,240,216	AAA	S&P
Corporate securities (pension)	380,260	B+	S&P
Corporate securities (pension)	238,298	B-	S&P
Corporate securities (pension)	245,900	BB	S&P
Corporate securities (pension)	1,280,931	BB+	S&P
Corporate securities (pension)	695,793	BB-	S&P
Corporate securities (pension)	888,949	BBB	S&P
Corporate securities (pension)	1,202,948	BBB+	S&P
Corporate securities (pension)	1,624,417	BBB-	S&P
Corporate securities (pension)	188,890	CCC+	S&P

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. No more than 5 percent of the City's investments are invested in any one issuer.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 4 - Receivables

The City's receivables of governmental activities are as follows:

	General Fund	Major Roads Funds	Local Roads Funds	Nonmajor and Other Funds	Total Governmental Activities	Business-type Activities	Total Primary Government	Component Units
Receivables:								
Taxes	\$ 1,392,436	\$ -	\$ 6,331	\$ 251,315	\$ 1,650,082	\$ 450,955	\$ 2,101,037	\$ -
Intergovernmental	3,357,048	565,636	203,312	783,138	4,909,134	-	4,909,134	-
Special assessments	40,939	-	103,229	-	144,168	-	144,168	-
Customer	-	-	-	-	-	7,144,074	7,144,074	-
Interest and other	37,880	105	110	359,131	397,226	7,406	404,632	427,052
Total receivables	<u>\$ 4,828,303</u>	<u>\$ 565,741</u>	<u>\$ 312,982</u>	<u>\$ 1,393,584</u>	<u>\$ 7,100,610</u>	<u>\$ 7,602,435</u>	<u>\$ 14,703,045</u>	<u>\$ 427,052</u>

The delinquent real property taxes of the City are purchased by the county of Wayne. Subsequent to year end, the county issued tax notes, the proceeds of which were used to pay the City for these property taxes. These taxes have been recorded as revenue for the current year.

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Revenue Not Available	Revenue Not Earned	Total
General Fund	\$ 440,663	\$ -	\$ 440,663
Local Roads Fund	103,229	-	103,229
Other nonmajor governmental funds	36,000	167,612	203,612
Total	<u>\$ 579,892</u>	<u>\$ 167,612</u>	<u>\$ 747,504</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 5 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005	Depreciable Life - Years
Governmental Activities					
Capital assets not being depreciated - Land	\$ 2,340,379	\$ -	\$ -	\$ 2,340,379	-
Capital assets being depreciated:					
Roads and sidewalks	750,099,680	5,325,324	1,064,928	754,360,076	20-30
Buildings and improvements	17,390,811	-	-	17,390,811	20-40
Other tools and equipment	20,302,036	2,237,483	919,038	21,620,481	3-40
Subtotal	787,792,527	7,562,807	1,983,966	793,371,368	
Accumulated depreciation:					
Roads and sidewalks	389,914,852	29,210,109	1,064,928	418,060,033	
Buildings and improvements	3,035,810	180,307	-	3,216,117	
Other tools and equipment	11,956,679	1,968,382	919,038	13,006,023	
Subtotal	404,907,341	31,358,798	1,983,966	434,282,173	
Net capital assets being depreciated	382,885,186	(23,795,991)	-	359,089,195	
Net capital assets	\$ 385,225,565	\$ (23,795,991)	\$ -	\$ 361,429,574	
Business-type Activities					
Capital assets being depreciated - Water and sewer distribution systems	\$ 97,581,760	\$ 2,030,630	\$ 18,865	\$ 99,593,525	100
Accumulated depreciation - Water and sewer distribution systems	22,442,585	1,227,956	18,865	23,651,676	
Net capital assets	\$ 75,139,175	\$ 802,674	\$ -	\$ 75,941,849	
Component Units					
Capital assets not being depreciated:					
Land	\$ 90,000	\$ -	\$ -	\$ 90,000	-
Construction in progress - DDA Streetscape	420,193	1,219,338	-	1,639,531	-
Net capital assets	\$ 510,193	\$ 1,219,338	\$ -	\$ 1,729,531	

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 845,223
Public safety	269,909
Public works	29,237,109
Recreation and culture	128,064
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>878,493</u>

Total governmental activities \$ 31,358,798

Business-type activities - Enterprise Fund - Water and Sewer \$ 1,227,956

Note 6 - Restricted Assets

Restricted assets at June 30, 2005 consist of the following:

Investments	\$ 775,000
Assets held at Wayne County for water and sewer line construction	<u>17,065</u>
Total restricted assets	<u>\$ 792,065</u>

These assets are restricted for the following purposes:

Construction of North Huron Valley/Rouge Valley Sewer System	\$ 17,065
Bond reserve for 1998 Water and Sewer Revenue Bonds	397,500
Bond reserve for 2003 Water and Sewer Revenue Bonds	<u>377,500</u>
Total restricted assets	<u>\$ 792,065</u>

Restricted assets in the Downtown Development Authority consist of unspent bond proceeds totaling \$1,136,472.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 7 - Interfund Balances and Operating Transfers

The composition of interfund receivables and payables balances is as follows:

General Fund:	
Major Roads Fund	\$ 578,423
Local Roads Fund	716,756
Water and Sewer Fund	45,605
Other nonmajor governmental funds	<u>355,972</u>
Total General Fund	1,696,756
Local Roads Fund - Major Roads Fund	19
Other nonmajor governmental funds:	
Other nonmajor governmental funds	280,401
Other nonmajor proprietary funds	<u>35,892</u>
Total other nonmajor governmental funds	<u>316,293</u>
Total governmental funds	2,013,068
Water and Sewer Fund - Other nonmajor proprietary funds	13,719
Other proprietary funds:	
General Fund	833,602
Water and Sewer Fund	<u>379,199</u>
Total other proprietary funds	<u>1,212,801</u>
Total proprietary funds	<u>1,226,520</u>
Total	<u>\$ 3,239,588</u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 7 - Interfund Balances and Operating Transfers (Continued)

The composition of operating transfers is as follows:

Operating Transfer Out	Operating Transfer In	Amount
General Fund	Other governmental funds (1)	\$ 229,156
Major Roads Fund	Local Roads Fund (2)	1,886,649
	Other governmental funds (1)	<u>598,129</u>
	Total Major Roads Fund	2,484,778
Other governmental funds	General Fund (2)	218,156
	Other governmental funds (2)	<u>264,644</u>
	Total other governmental funds	482,800
Water and Sewer Fund	Drain Problem Fund (3)	<u>63,000</u>
	Total operating transfers	<u>\$ 3,259,734</u>

(1) Transfer for debt service

(2) Transfer for general operations

(3) Transfer for capital improvements

Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Within One Year
Governmental Activities					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 1,800,000	\$ -	\$ (200,000)	\$ 1,600,000	\$ 200,000
1998 Michigan Transportation Fund Bonds	2,450,000	-	(150,000)	2,300,000	150,000
1998 Building Authority Bonds	2,225,000	-	(75,000)	2,150,000	75,000
1999 Building Authority Bonds	2,375,000	-	(75,000)	2,300,000	75,000
County drain contracts	2,761,189	-	(679,143)	2,082,046	694,015
2004 Michigan Transportation Fund Bonds	-	3,000,000	-	3,000,000	100,000
HUD Section 108 loans	540,000	-	(100,000)	440,000	100,000
Compensated absences	7,557,599	154,301	-	7,711,900	1,842,699
Installment purchase agreements:					
Police communications equipment	252,104	-	(43,467)	208,637	47,008
Other equipment	635,721	448,344	(304,072)	779,993	299,064
Total governmental activities	<u>\$ 20,596,613</u>	<u>\$ 3,602,645</u>	<u>\$ (1,626,682)</u>	<u>\$ 22,572,576</u>	<u>\$ 3,582,786</u>
Business-type Activities					
Revenue bonds:					
1995 Water and Sewer Revenue Bonds	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -	\$ -
1998 Water and Sewer Revenue Bonds	2,925,000	-	(200,000)	2,725,000	200,000
2003 Water and Sewer Revenue Bonds	2,610,000	-	(425,000)	2,185,000	510,000
Compensated absences	169,607	-	-	169,607	169,607
Installment purchase agreements - Other equipment	91,233	-	(44,216)	47,017	47,017
Total business-type activities	<u>\$ 6,795,840</u>	<u>\$ -</u>	<u>\$ (1,669,216)</u>	<u>\$ 5,126,624</u>	<u>\$ 926,624</u>

Note: The change in compensated absences is the net change to the liability during the year ended June 30, 2005.

Component Units

General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 460,000	\$ -	\$ (65,000)	\$ 395,000	\$ 85,000
2003 Downtown Development Authority Bonds	2,420,000	-	(220,000)	2,200,000	300,000
Total component units	<u>\$ 2,880,000</u>	<u>\$ -</u>	<u>\$ (285,000)</u>	<u>\$ 2,595,000</u>	<u>\$ 385,000</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 8 - Long-term Debt (Continued)

Other information concerning long-term debt obligations is as follows:

	Original Principal	Outstanding Debt June 30, 2005	Final Payment Date	Maturity Payment Ranges	Interest Rates
Governmental Activities					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,500,000	\$ 1,600,000	12/01/2011	\$200,000-\$250,000	4.000%-5.400%
1998 Michigan Transportation Fund Bonds	2,900,000	2,300,000	12/01/2013	\$150,000-\$400,000	4.250%-4.500%
1998 Building Authority Bonds	2,500,000	2,150,000	04/01/2019	\$75,000-\$250,000	4.500%-6.500%
1999 Building Authority Bonds	2,600,000	2,300,000	11/01/2019	\$75,000 - \$250,000	5.000%-6.000%
County drain contracts	8,789,204	2,082,046	05/01/2008	\$4,957-\$694,015	5.200%-5.700%
2004 Michigan Transportation Fund Bonds	3,000,000	3,000,000	12/01/2018	\$100,000-\$300,000	2.500%-4.000%
Other debt	2,826,374	1,428,630	08/01/2009	\$12,197-\$70,000	5.385%-6.490%
Total governmental activities	<u>\$ 25,115,578</u>	<u>\$ 14,860,676</u>			
Business-type Activities					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 3,225,000	2,725,000	04/01/2018	\$200,000-\$250,000	4.400%-4.500%
2003 Water and Sewer Revenue Bonds	3,025,000	2,185,000	04/01/2009	\$510,000-\$605,000	2.500%-3.000%
Other debt	308,912	47,017	09/01/2005	\$47,017	6.158%
Total business-type activities	<u>\$ 6,558,912</u>	<u>\$ 4,957,017</u>			
Component Units					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 525,000	\$ 395,000	06/01/2010	\$65,000-\$85,000	1.800%-3.800%
2003 Downtown Development Authority Bonds	2,420,000	2,200,000	10/01/2009	\$220,000-\$550,000	2.000%-2.875%
Total component units	<u>\$ 2,945,000</u>	<u>\$ 2,595,000</u>			

Annual debt service requirements to maturity for the City's long-term obligations, except compensated absences, are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,740,087	\$ 665,275	\$ 2,405,362	\$ 757,017	\$ 184,023	\$ 941,040	\$ 385,000	\$ 62,616	\$ 447,616
2007	1,746,330	577,568	2,323,898	695,000	159,494	854,494	480,000	53,704	533,704
2008	1,758,443	489,813	2,248,256	775,000	137,700	912,700	530,000	42,200	572,200
2009	869,563	399,910	1,269,473	805,000	113,375	918,375	575,000	27,813	602,813
2010	1,021,253	355,769	1,377,022	200,000	86,425	286,425	625,000	10,756	635,756
2011	950,000	311,095	1,261,095	200,000	77,625	277,625	-	-	-
2012	1,075,000	269,463	1,344,463	200,000	68,625	268,625	-	-	-
2013	950,000	227,026	1,177,026	200,000	59,625	259,625	-	-	-
2014	950,000	185,101	1,135,101	200,000	50,625	250,625	-	-	-
2015	675,000	150,163	825,163	200,000	41,625	241,625	-	-	-
2016	675,000	120,963	795,963	225,000	32,625	257,625	-	-	-
2017	700,000	90,775	790,775	250,000	22,500	272,500	-	-	-
2018	700,000	59,250	759,250	250,000	11,250	261,250	-	-	-
2019	800,000	31,875	831,875	-	-	-	-	-	-
2020	250,000	6,875	256,875	-	-	-	-	-	-
Total	<u>\$ 14,860,676</u>	<u>\$ 3,940,921</u>	<u>\$ 18,801,597</u>	<u>\$ 4,957,017</u>	<u>\$ 1,045,517</u>	<u>\$ 6,002,534</u>	<u>\$ 2,595,000</u>	<u>\$ 197,089</u>	<u>\$ 2,792,089</u>

Note 8 - Long-term Debt (Continued)

Total interest incurred related to governmental and business-type activities for the year approximated \$669,000 and \$259,000, respectively. Total interest incurred related to component units for the year approximated \$65,000.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2005, \$2,650,000 of bonds outstanding are considered defeased.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 9 - Risk Management (Continued)

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the General Liability Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2005 and 2004 were as follows:

	2005	2004
Estimated liability - Beginning of year	\$ 401,519	\$ 401,519
Estimated claims incurred, including changes in estimates	1,932,774	1,432,319
Claim payments	<u>(1,711,694)</u>	<u>(1,432,319)</u>
Estimated liability - End of year	<u>\$ 622,599</u>	<u>\$ 401,519</u>

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Workers' Compensation Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2005 and 2004 were as follows:

	2005	2004
Estimated liability - Beginning of year	\$ 311,933	\$ 254,112
Estimated claims incurred, including changes in estimates	680,126	636,695
Claim payments	<u>(597,957)</u>	<u>(578,874)</u>
Estimated liability - End of year	<u>\$ 394,102</u>	<u>\$ 311,933</u>

Note 10 - Defined Benefit Pension Plans

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2004, the date of the most recent actuarial valuation, membership consisted of 151 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 178 current active employees. The plan does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Costs - For the year ended June 30, 2005, the City's annual pension cost of \$3,287,050 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5.00 percent per year to 9.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 10 - Defined Benefit Pension Plans (Continued)

Reserves - As of June 30, 2005, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 897,392
Reserve for retired benefit payments	64,857,779

Three-year Trend Information

	Fiscal Year Ended June 30		
	2003	2004	2005
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 1,846,559	\$ 2,367,997	\$ 3,287,050
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Michigan Municipal Employees' Retirement System

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City other than police and fire employees. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48197.

Funding Policy - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from the employees.

Note 10 - Defined Benefit Pension Plans (Continued)

Annual Pension Costs - For the year ended June 30, 2005, the City's annual pension cost of \$3,222,001 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age cost method. Significant actuarial assumptions used include: (a) an 8.00 percent investment rate of return, (b) projected salary increases of 4.50 percent per year to 8.66 percent per year, attributable to seniority/merit, and (c) postretirement benefit increases of 2.50 percent annually. Both (a) and (b) include an inflationary component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2003	2004	2005
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 2,977,737	\$ 2,995,512	\$ 3,222,001
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2002	2003	2004
Actuarial value of assets	\$ 42,681,160	\$ 45,066,599	\$ 47,121,078
Actuarial accrued liability (AAL) (entry)	\$ 72,706,810	\$ 77,912,357	\$ 81,988,242
Unfunded AAL (UAAL)	\$ 30,025,650	\$ 32,845,758	\$ 34,867,164
Funded ratio	58.70%	57.84%	57.47%
Covered payroll	\$ 9,880,279	\$ 9,755,164	\$ 10,136,784
UAAL as a percentage of covered payroll	304%	337%	344%

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission and the Central Wayne County Sanitation Authority with the communities indicated below. The City appoints two members to the Nankin Transit Commission's governing board and one member to the Central Wayne County Sanitation Authority's board, who then approve the annual budget. The City recorded a long-term liability related to the Authority of approximately \$1,677,000 in the government-wide statement of net assets. The monofill owned by the Authority is no longer accepting refuse, resulting in an impairment loss of \$9,298,000 recognized during the year ended June 30, 2004. In addition, the entire estimated closure and postclosure care costs are now recorded as a liability for the Authority. As a result, the Authority has a net asset deficit of \$4,245,270 as of June 30, 2005. The liability will be funded over 30 years ending June 30, 2034 as the debt payments and postclosure costs come due.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, other than the letter of credit discussed in Note 12. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at William J. Engle Memorial Building, 37137 Marquette St., Westland, MI 48185 and 4901 Inkster Road, Dearborn Heights, MI 48125, respectively.

	Nankin Transit Commission	Central Wayne County Sanitation Authority
Participating communities	City of Garden City City of Inkster City of Wayne City of Westland	City of Dearborn Heights City of Garden City City of Inkster City of Wayne City of Westland

Note 12 - Contingent Liabilities

Letter of Credit - The City participates in a joint venture, the Central Wayne County Sanitation Authority, through which the City has obligated its full faith and credit under an irrevocable letter of credit. The letter of credit totals \$1,365,000, of which the City's portion would be \$505,000 should the Authority default on this letter of credit. See Note 11 for financial information on Central Wayne County Sanitation Authority.

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 12 - Contingent Liabilities (Continued)

Environmental Cleanup - The City may have financial exposure in actions to cleanup sites of environmental contamination. These sites are not currently owned or controlled by the City. Evaluation of the required cleanup and associated costs is in the process of being determined by the current property owners. The monetary exposure to the City cannot presently be determined but could be significant.

Note 13 - Restricted Net Assets

Fund balances of governmental funds have been restricted for the following purposes:

Restricted for	Total Governmental Activities	Total Business-type Activities	Total Component Units
Police and Fire Retirement System	\$ 1,780,000	\$ -	\$ -
Sanitation	1,305,000	-	-
Street lighting	30,797	-	-
Public safety - E911	378,423	-	-
Public safety - Drug forfeiture	115,523	-	-
County drain debt service	103,343	-	-
800 MHZ Fund	20,445	-	-
Public Improvement Fund	58,197	-	-
Task Force Fund	65,803	-	-
Restricted Cable Commission projects	966,996	-	-
Sewer system construction	-	17,065	-
Revenue bonds	-	775,000	-
Metro Act Fund - Right-of-way improvements	357,237	-	-
Construction	-	-	1,136,472
Restricted for debt service	-	-	211,386
Total	<u>\$ 5,181,764</u>	<u>\$ 792,065</u>	<u>\$ 1,347,858</u>

Note 14 - Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 367 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$3,403,000. Of this amount, approximately \$1,862,000 and \$1,541,000 was paid by the Police and Fire Retirement System Fund and the General Fund, respectively.

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 15 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Building permit revenue	\$ 1,167,776
Direct costs	<u>(1,241,054)</u>
Excess	(73,278)
Cumulative shortfall - July 1, 2004	<u>(826,251)</u>
Cumulative shortfall - June 30, 2005	<u><u>\$ (899,529)</u></u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2005

Note 16 - Commitments

The City has entered into several construction and maintenance contracts totaling approximately \$2,186,000. As of June 30, 2005, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 17 - Subsequent Events

On November 17, 2005, the City will issue \$3,970,000 in bonds with interest ranging from 3.0 percent to 5.0 percent. The proceeds of these bonds will be used to advance refund \$3,875,000 of outstanding general obligation bonds with interest rates ranging from 4.5 percent to 6.5 percent. The advance refunding will reduce total debt service payments over the next 14 years by approximately \$82,000, which represents an economic gain of approximately \$103,000.

Note 18 - Prior Period Adjustment

In the prior year, the Downtown Development Authority incurred expenses related to capital assets which were not capitalized. The effect on beginning net assets is as follows:

	Downtown Development Authority
Net assets as originally stated - July 1, 2004	\$ 813,387
Adjustment for assets not previously capitalized	<u>420,193</u>
Net assets as restated - July 1, 2004	<u><u>\$ 1,233,580</u></u>

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2004	\$ 2,974,865	\$ 2,974,865	\$ 2,974,865	\$ -
Revenues				
Property taxes	23,762,249	23,762,249	23,309,276	(452,973)
Business licenses and permits	25,300	25,300	50,998	25,698
Nonbusiness licenses and permits	1,491,300	1,491,300	1,379,604	(111,696)
State-shared revenue	8,981,397	9,227,151	9,170,879	(56,272)
Charges for services	13,740,495	13,805,495	13,028,621	(776,874)
Miscellaneous	6,858,880	6,997,263	7,752,032	754,769
Total revenues	54,859,621	55,308,758	54,691,410	(617,348)
Appropriations				
Legislative	134,881	134,881	118,615	16,266
District Court	3,419,194	3,419,194	3,343,437	75,757
Executive	501,630	501,630	479,117	22,513
Elections	301,977	323,977	279,471	44,506
City clerk	366,174	366,174	345,377	20,797
Assessment	499,217	499,217	487,362	11,855
Police and Fire Retirement Board	608,500	608,500	426,661	181,839
Law	550,000	550,000	620,554	(70,554)
Personnel	306,677	313,922	301,930	11,992
Board of Review	4,465	4,465	3,472	993
Finance	1,639,932	1,639,932	1,601,036	38,896
City Hall and grounds	486,900	486,900	368,667	118,233
General civil service	8,662	8,662	3,096	5,566
Police and fire civil service	10,175	19,075	11,350	7,725
General government	2,141,129	2,141,129	1,886,458	254,671
Police	13,666,397	13,734,540	13,429,620	304,920
Fire	10,120,568	10,120,568	10,035,801	84,767
Building	1,296,695	1,296,695	1,241,054	55,641
Joint dispatch	1,254,598	1,274,981	1,159,540	115,441
General maintenance	688,676	688,676	110,380	578,296
Engineering	382,121	732,121	760,177	(28,056)
Highway maintenance	3,106,779	3,471,226	2,890,990	580,236
Sanitation	4,992,630	4,992,630	4,207,539	785,091
Youth Assistance Program	206,712	206,712	208,758	(2,046)
Senior resources	502,910	509,838	453,320	56,518

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Appropriations (Continued)				
Parks and recreation	\$ 1,660,268	\$ 1,660,268	\$ 1,466,992	\$ 193,276
Golf course	454,364	454,364	457,256	(2,892)
Parks and Recreation Advisory Council	5,040	5,040	4,200	840
Ice arena	447,840	462,840	463,392	(552)
Housing	334,941	339,611	338,110	1,501
Historical Commission	17,690	62,217	57,328	4,889
Economic Development Corporation	285	285	-	285
Planning	245,714	245,714	233,525	12,189
Planning Commission	9,350	9,350	6,567	2,783
Zoning Board of Appeals	7,983	7,983	6,143	1,840
Community development programs	436,820	436,820	416,830	19,990
Commission on Aging	7,920	7,920	5,040	2,880
Insurance and bonds	1,865,000	2,015,000	2,505,784	(490,784)
Motorpool contribution	1,127,559	1,214,226	1,108,013	106,213
Operating transfers out	120,000	120,000	28,756	91,244
 Total appropriations	 53,938,373	 55,087,283	 51,871,718	 3,215,565
 Fund Balance - June 30, 2005	 <u>\$ 3,896,113</u>	 <u>\$ 3,196,340</u>	 <u>\$ 5,794,557</u>	 <u>\$ 2,598,217</u>

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2004	\$ 3,500,000	\$ 3,500,000	\$ 3,059,057	\$ (440,943)
Sources				
State sources	3,700,000	3,700,000	3,499,452	(200,548)
Proceeds from long-term debt	-	3,000,000	3,000,000	-
Interest income	15,000	15,000	136,234	121,234
Total sources	7,215,000	10,215,000	9,694,743	(520,257)
Uses				
Maintenance	525,000	525,000	579,884	(54,884)
Traffic	75,000	75,000	34,397	40,603
Snow removal	230,000	230,000	307,502	(77,502)
Administration	87,174	87,174	349,710	(262,536)
Construction	1,200,000	5,324,503	2,788,571	2,535,932
Transfers to other funds	1,972,513	2,029,803	2,484,778	(454,975)
Total uses	4,089,687	8,271,480	6,544,842	1,726,638
Fund Balance - June 30, 2005	\$ 3,125,313	\$ 1,943,520	\$ 3,149,901	\$ 1,206,381

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2004	\$ 1,175,000	\$ 1,175,000	\$ 1,263,486	\$ 88,486
Sources				
State sources	1,300,000	1,300,000	1,256,847	(43,153)
Special assessments	-	-	67,528	67,528
Interest income	3,000	3,000	5,843	2,843
Transfers from other funds	925,000	1,925,000	1,886,649	(38,351)
Total sources	3,403,000	4,403,000	4,480,353	77,353
Uses				
Maintenance	1,600,000	1,600,000	1,902,628	(302,628)
Traffic	84,609	84,609	61,268	23,341
Snow removal	255,000	255,000	300,004	(45,004)
Administration	200,000	200,000	125,685	74,315
Transfers to other funds	184,000	356,625	-	356,625
Construction	400,000	1,407,805	1,541,701	(133,896)
Total uses	2,723,609	3,904,039	3,931,286	(27,247)
Fund Balance - June 30, 2005	\$ 679,391	\$ 498,961	\$ 549,067	\$ 50,106

Other Supplemental Information

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
General Government				
Legislative	\$ 92,599	\$ 92,148	\$ 4,782	\$ 1,609
City Clerk	351,961	333,636	9,388	8,689
Executive	485,055	463,020	7,325	7,065
Elections	154,195	147,462	46,118	21,501
Assessment	489,020	478,984	4,585	3,296
General - Law	-	-	-	-
General - Civil service	3,362	1,963	975	683
Police and fire civil service	2,520	2,390	155	-
Finance	1,368,700	1,332,524	52,900	51,349
Board of Review	4,313	3,406	152	66
City Hall and grounds	-	-	24,700	12,495
General government	1,949,000	1,717,552	58,875	29,747
Engineering	280,579	275,475	3,600	1,749
General maintenance	91,502	77,434	5,174	416
Planning	210,227	209,887	4,497	2,245
Planning Commission	8,100	5,820	300	147
Zoning Board of Appeals	7,530	6,006	53	-
Economic development	-	-	-	-
Community development programs	374,050	355,587	8,425	8,389
Housing development	339,611	338,110	-	-
Insurance and bonds	75,000	73,219	-	-
Personnel	296,546	292,786	3,390	2,636
Total general government	6,583,870	6,207,409	235,394	152,082
Public Safety				
District Court	2,652,628	2,678,463	86,126	67,034
Police	12,368,852	12,164,813	73,600	66,348
Fire	9,690,038	9,613,710	110,010	107,636
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,243,680	1,146,095	4,118	4,018
Building	1,221,640	1,172,846	13,475	13,142
Total public safety	27,176,838	26,775,927	287,329	258,178
Highways and Streets	2,097,480	1,981,303	362,849	240,177

* The "total" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

Other Supplemental Information
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 37,500	\$ 24,858	\$ -	\$ -	\$ -	\$ -	\$ 134,881	\$ 118,615
4,825	3,052	-	-	-	-	366,174	345,377
9,250	9,032	-	-	-	-	501,630	479,117
123,664	110,508	-	-	-	-	323,977	279,471
5,612	5,082	-	-	-	-	499,217	487,362
550,000	620,554	-	-	-	-	550,000	620,554
4,325	450	-	-	-	-	8,662	3,096
16,400	8,960	-	-	-	-	19,075	11,350
218,332	217,163	-	-	-	-	1,639,932	1,601,036
-	-	-	-	-	-	4,465	3,472
207,200	175,637	255,000	180,535	-	-	486,900	368,667
133,254	139,159	-	-	-	-	2,141,129	1,886,458
447,942	482,953	-	-	-	-	732,121	760,177
592,000	32,530	-	-	-	-	688,676	110,380
30,990	21,393	-	-	-	-	245,714	233,525
950	600	-	-	-	-	9,350	6,567
400	137	-	-	-	-	7,983	6,143
285	-	-	-	-	-	285	-
54,345	52,854	-	-	-	-	436,820	416,830
-	-	-	-	-	-	339,611	338,110
1,940,000	2,432,565	-	-	-	-	2,015,000	2,505,784
13,986	6,508	-	-	-	-	313,922	301,930
4,391,260	4,343,995	255,000	180,535	-	-	11,465,524	10,884,021
480,040	397,540	-	-	200,400	200,400	3,419,194	3,343,437
1,131,762	1,112,800	62,741	29,976	97,585	55,683	13,734,540	13,429,620
315,420	295,505	5,100	18,950	-	-	10,120,568	10,035,801
608,500	426,661	-	-	-	-	608,500	426,661
27,183	9,427	-	-	-	-	1,274,981	1,159,540
61,580	55,066	-	-	-	-	1,296,695	1,241,054
2,624,485	2,296,999	67,841	48,926	297,985	256,083	30,454,478	29,636,113
960,901	619,514	-	-	49,996	49,996	3,471,226	2,890,990

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
Building Authority Debt - Tower - Operating transfer	\$ -	\$ -	\$ -	\$ -
Sanitation	80,220	73,371	21,900	13,873
Cultural and Recreation				
Youth assistance	-	-	2,000	2,261
Senior resource department	373,402	330,395	12,500	9,639
Parks and recreation	1,216,729	1,159,726	87,590	70,104
Golf course	-	-	80,300	80,097
Parks and Recreation Advisory Council	5,040	4,200	-	-
Historical committee	4,140	2,760	250	108
Ice arena	-	-	47,400	52,905
Commission on Aging	7,920	5,040	-	-
Total cultural and recreation	1,607,231	1,502,121	230,040	215,114
Debt Service	-	-	-	-
Sundry - Motorpool contribution	1,214,226	1,108,013	-	-
Total expenditures and other operating transfers	<u>\$ 38,759,865</u>	<u>\$ 37,648,144</u>	<u>\$ 1,137,512</u>	<u>\$ 879,424</u>

* The "total" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

Other Supplemental Information
Schedule of Expenditures - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2005

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 120,000	\$ 28,756	\$ 120,000	\$ 28,756
4,890,510	4,120,295	-	-	-	-	4,992,630	4,207,539
204,712	206,497	-	-	-	-	206,712	208,758
123,936	113,286	-	-	-	-	509,838	453,320
225,949	218,706	130,000	18,456	-	-	1,660,268	1,466,992
374,064	377,159	-	-	-	-	454,364	457,256
-	-	-	-	-	-	5,040	4,200
13,300	12,741	44,527	41,719	-	-	62,217	57,328
400,440	410,487	15,000	-	-	-	462,840	463,392
-	-	-	-	-	-	7,920	5,040
1,342,401	1,338,876	189,527	60,175	-	-	3,369,199	3,116,286
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,214,226	1,108,013
\$ 14,209,557	\$ 12,719,679	\$ 512,368	\$ 289,636	\$ 467,981	\$ 334,835	\$ 55,087,283	\$ 51,871,718

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,988,789	\$ 34,624	\$ 264,116	\$ 3,287,529
Investments	100,000	-	-	100,000
Receivables - Net	541,727	68,719	-	610,446
Due from other funds	-	234,502	81,791	316,293
Due from other governmental units	783,138	-	-	783,138
Total assets	<u>\$ 4,413,654</u>	<u>\$ 337,845</u>	<u>\$ 345,907</u>	<u>\$ 5,097,406</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 197,221	\$ -	\$ -	\$ 197,221
Accrued and other liabilities	109,587	-	-	109,587
Due to other funds	555,407	80,965	-	636,372
Deferred revenue	203,612	-	-	203,612
Total liabilities	1,065,827	80,965	-	1,146,792
Fund Balances				
Reserved	112,208	-	-	112,208
Unreserved:				
Designated	-	-	345,907	345,907
Undesignated	3,235,619	256,880	-	3,492,499
Total fund balances	<u>3,347,827</u>	<u>256,880</u>	<u>345,907</u>	<u>3,950,614</u>
Total liabilities and fund balances	<u>\$ 4,413,654</u>	<u>\$ 337,845</u>	<u>\$ 345,907</u>	<u>\$ 5,097,406</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 1,714,361	\$ 719,890	\$ -	\$ 2,434,251
Federal sources	1,524,027	-	-	1,524,027
State sources	75,441	-	-	75,441
Local sources	1,266,195	-	-	1,266,195
Charges for services	957,731	-	-	957,731
Special assessments	872,640	-	-	872,640
Refund of captured property taxes	167,437	67,402	-	234,839
Interest and other	92,199	3,307	2,546	98,052
Total revenues	6,670,031	790,599	2,546	7,463,176
Expenditures				
Public safety	29,878	-	2,500	32,378
Highways, streets, and drains	-	-	3,000	3,000
Street lighting	1,094,177	-	-	1,094,177
Cultural and recreation	5,021,316	-	-	5,021,316
Contracted services	415,402	-	-	415,402
Debt service	-	1,836,504	-	1,836,504
Sundry	24,976	-	-	24,976
Total expenditures	6,585,749	1,836,504	5,500	8,427,753
Excess of Revenues Over (Under)				
Expenditures	84,282	(1,045,905)	(2,954)	(964,577)
Other Financing Sources (Uses)				
Operating transfers in	64,644	827,285	63,000	954,929
Operating transfers out	(482,800)	-	-	(482,800)
Total other financing sources (uses)	(418,156)	827,285	63,000	472,129
Net Change in Fund Balances	(333,874)	(218,620)	60,046	(492,448)
Fund Balances - July 1, 2004	3,681,701	475,500	285,861	4,443,062
Fund Balances - June 30, 2005	<u>\$ 3,347,827</u>	<u>\$ 256,880</u>	<u>\$ 345,907</u>	<u>\$ 3,950,614</u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Assets					
Cash and cash equivalents	\$ 31,145	\$ 63,610	\$ 818,471	\$ 58,197	\$ 117,599
Investments	-	-	100,000	-	-
Receivables - Net	-	59,229	239,818	-	-
Due from other governmental units	415,378	-	-	-	-
Total assets	<u>\$ 446,523</u>	<u>\$ 122,839</u>	<u>\$ 1,158,289</u>	<u>\$ 58,197</u>	<u>\$ 117,599</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 61,649	\$ -	\$ 85,673	\$ -	\$ 2,076
Accrued and other liabilities	-	-	100,000	-	-
Due to other funds	217,262	92,042	5,620	-	-
Deferred revenue	167,612	-	-	-	-
Total liabilities	446,523	92,042	191,293	-	2,076
Fund Balances					
Reserved	-	-	112,208	-	-
Unreserved - Undesignated	-	30,797	854,788	58,197	115,523
Total fund balances	-	30,797	966,996	58,197	115,523
Total liabilities and fund balances	<u>\$ 446,523</u>	<u>\$ 122,839</u>	<u>\$ 1,158,289</u>	<u>\$ 58,197</u>	<u>\$ 117,599</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005**

Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,154,197	\$ 67,135	\$ 530,447	\$ 22,195	\$ 819	\$ 124,974	\$ 2,988,789
-	-	-	-	-	-	100,000
123,376	-	119,304	-	-	-	541,727
135,497	-	-	-	-	232,263	783,138
<u>\$ 1,413,070</u>	<u>\$ 67,135</u>	<u>\$ 649,751</u>	<u>\$ 22,195</u>	<u>\$ 819</u>	<u>\$ 357,237</u>	<u>\$ 4,413,654</u>
\$ 44,741	\$ 1,332	\$ -	\$ 1,750	\$ -	\$ -	\$ 197,221
9,587	-	-	-	-	-	109,587
4,336	-	235,328	-	819	-	555,407
-	-	36,000	-	-	-	203,612
58,664	1,332	271,328	1,750	819	-	1,065,827
-	-	-	-	-	-	112,208
1,354,406	65,803	378,423	20,445	-	357,237	3,235,619
1,354,406	65,803	378,423	20,445	-	357,237	3,347,827
<u>\$ 1,413,070</u>	<u>\$ 67,135</u>	<u>\$ 649,751</u>	<u>\$ 22,195</u>	<u>\$ 819</u>	<u>\$ 357,237</u>	<u>\$ 4,413,654</u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	1,524,027	-	-	-	-
State sources	-	-	-	-	-
Local sources	-	-	-	-	182,775
Charges for services	-	-	957,731	-	-
Special assessments	-	872,640	-	-	-
Refund of captured property taxes	-	-	-	-	-
Interest and other	239	1,942	17,514	867	1,324
Total revenues	1,524,266	874,582	975,245	867	184,099
Expenditures					
Public safety	-	-	-	-	27,378
Street lighting	-	1,094,177	-	-	-
Cultural and recreation	1,524,266	-	1,305,533	-	-
Contracted services	-	-	-	-	-
Sundry	-	-	-	7,800	-
Total expenditures	1,524,266	1,094,177	1,305,533	7,800	27,378
Excess of Revenues Over (Under)					
Expenditures	-	(219,595)	(330,288)	(6,933)	156,721
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(142,337)	-	(200,000)
Total other financing sources (uses)	-	-	(142,337)	-	(200,000)
Net Change in Fund Balances	-	(219,595)	(472,625)	(6,933)	(43,279)
Fund Balances - July 1, 2004	-	250,392	1,439,621	65,130	158,802
Fund Balances - June 30, 2005	\$ -	\$ 30,797	\$ 966,996	\$ 58,197	\$ 115,523

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2005

Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,714,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,714,361
-	-	-	-	-	-	1,524,027
75,441	-	-	-	-	-	75,441
200,110	26,897	448,804	171,637	-	235,972	1,266,195
-	-	-	-	-	-	957,731
-	-	-	-	-	-	872,640
167,437	-	-	-	-	-	167,437
25,597	612	3,744	39,633	727	-	92,199
2,182,946	27,509	452,548	211,270	727	235,972	6,670,031
-	-	2,500	-	-	-	29,878
-	-	-	-	-	-	1,094,177
2,191,517	-	-	-	-	-	5,021,316
-	-	-	277,224	-	138,178	415,402
-	17,124	-	52	-	-	24,976
2,191,517	17,124	2,500	277,276	-	138,178	6,585,749
(8,571)	10,385	450,048	(66,006)	727	97,794	84,282
-	-	-	64,644	-	-	64,644
-	-	(139,644)	-	(819)	-	(482,800)
-	-	(139,644)	64,644	(819)	-	(418,156)
(8,571)	10,385	310,404	(1,362)	(92)	97,794	(333,874)
1,362,977	55,418	68,019	21,807	92	259,443	3,681,701
\$ 1,354,406	\$ 65,803	\$ 378,423	\$ 20,445	\$ -	\$ 357,237	\$ 3,347,827

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2005

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	County Drain Debt	Building Authority - Court Expansion	Total Nonmajor Debt Service Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 34,624	\$ -	\$ 34,624
Receivables - Net	-	-	68,719	-	68,719
Due from other funds	-	234,502	-	-	234,502
Total assets	<u>\$ -</u>	<u>\$ 234,502</u>	<u>\$ 103,343</u>	<u>\$ -</u>	<u>\$ 337,845</u>
Liabilities and Fund Balances					
Liabilities - Due to other funds	\$ -	\$ 80,965	\$ -	\$ -	\$ 80,965
Fund Balances - Unreserved - Undesignated	-	153,537	103,343	-	256,880
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 234,502</u>	<u>\$ 103,343</u>	<u>\$ -</u>	<u>\$ 337,845</u>

City of Westland, Michigan

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

Year Ended June 30, 2005

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	County Drain Debt	Building Authority Debt - Court Expansion	Total Nonmajor Debt Service Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 719,890	\$ -	\$ 719,890
Refund of captured property taxes	-	-	67,402	-	67,402
Interest and other	-	-	3,307	-	3,307
Total revenues	-	-	790,599	-	790,599
Expenditures - Debt service	<u>598,129</u>	<u>179,725</u>	<u>858,250</u>	<u>200,400</u>	<u>1,836,504</u>
Excess of Expenditures Over Revenues	(598,129)	(179,725)	(67,651)	(200,400)	(1,045,905)
Other Financing Sources - Operating transfers in	<u>598,129</u>	<u>28,756</u>	<u>-</u>	<u>200,400</u>	<u>827,285</u>
Net Change in Fund Balances	-	(150,969)	(67,651)	-	(218,620)
Fund Balances - July 1, 2004	<u>-</u>	<u>304,506</u>	<u>170,994</u>	<u>-</u>	<u>475,500</u>
Fund Balances - June 30, 2005	<u>\$ -</u>	<u>\$ 153,537</u>	<u>\$ 103,343</u>	<u>\$ -</u>	<u>\$ 256,880</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2005

	Tower	Drain Problem	Total Nonmajor Capital Projects Funds
Assets			
Cash and cash equivalents	\$ -	\$ 264,116	\$ 264,116
Due from other funds	<u>81,791</u>	<u>-</u>	<u>81,791</u>
Total assets	<u>\$ 81,791</u>	<u>\$ 264,116</u>	<u>\$ 345,907</u>
Fund Balances - Unreserved - Designated	<u>\$ 81,791</u>	<u>\$ 264,116</u>	<u>\$ 345,907</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Capital Projects Funds Year Ended June 30, 2005

	Tower	Drain Problem	Total Nonmajor Capital Projects Funds
Revenues - Interest and other	\$ -	\$ 2,546	\$ 2,546
Expenditures			
Public safety	2,500	-	2,500
Highways, steets, and drains	-	3,000	3,000
Total expenditures	2,500	3,000	5,500
Excess of Expenditures Over Revenues	(2,500)	(454)	(2,954)
Other Financing Sources - Operating transfers in	-	63,000	63,000
Net Change in Fund Balances	(2,500)	62,546	60,046
Fund Balances - July 1, 2004	84,291	201,570	285,861
Fund Balances - June 30, 2005	<u>\$ 81,791</u>	<u>\$ 264,116</u>	<u>\$ 345,907</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2005

		Self-insurance		
		Workers'		
	Motorpool	Compensation	General Liability	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 115,042	\$ -	\$ -	\$ 115,042
Due from other funds	-	394,102	818,699	1,212,801
Inventory	10,588	-	-	10,588
Prepaid costs and other assets	4,195	-	-	4,195
Total current assets	129,825	394,102	818,699	1,342,626
Equipment	3,200,716	-	-	3,200,716
Total assets	3,330,541	394,102	818,699	4,543,342
Liabilities				
Current liabilities:				
Accounts payable	40,525	-	180,420	220,945
Accrued liabilities	37,917	394,102	622,599	1,054,618
Due to other funds	49,611	-	-	49,611
Current portion of long-term debt	252,047	-	-	252,047
Total current liabilities	380,100	394,102	803,019	1,577,221
Long-term debt	613,741	-	-	613,741
Total liabilities	993,841	394,102	803,019	2,190,962
Net Assets				
Invested in capital assets - Net of related debt	2,334,928	-	-	2,334,928
Unrestricted	1,772	-	15,680	17,452
Total net assets	<u>\$ 2,336,700</u>	<u>\$ -</u>	<u>\$ 15,680</u>	<u>\$ 2,352,380</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2005

		Self-insurance		
		Workers'		
	Motorpool	Compensation	General Liability	Total
Operating Revenues - Charges to other funds	\$ 2,461,641	\$ 510,126	\$ 1,710,925	\$ 4,682,692
Operating Expenses				
Wages and fringe benefits	536,486	-	-	536,486
Contracted services	131,300	-	-	131,300
Operating supplies	335,867	-	-	335,867
Repairs and maintenance	407,884	-	-	407,884
Insurance, claims, and other	1,445	510,126	1,711,694	2,223,265
Depreciation	878,493	-	-	878,493
Rent	13,700	-	-	13,700
Total operating expenses	<u>2,305,175</u>	<u>510,126</u>	<u>1,711,694</u>	<u>4,526,995</u>
Operating Income (Loss)	156,466	-	(769)	155,697
Nonoperating Revenue (Expense)				
Investment income	1,288	-	176	1,464
Interest expense	(20,955)	-	-	(20,955)
Gain on disposal of assets	55,450	-	-	55,450
Total nonoperating revenue	<u>35,783</u>	<u>-</u>	<u>176</u>	<u>35,959</u>
Change in Net Assets	192,249	-	(593)	191,656
Net Assets - July 1, 2004	<u>2,144,451</u>	<u>-</u>	<u>16,273</u>	<u>2,160,724</u>
Net Assets - June 30, 2005	<u>\$ 2,336,700</u>	<u>\$ -</u>	<u>\$ 15,680</u>	<u>\$ 2,352,380</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2005

		Self-insurance		
	Motorpool	Workers' Compensation	General Liability	Total
Cash Flows from Operating Activities				
Internal activity - Payments from other funds	\$ 2,262,719	\$ 427,957	\$ 1,389,845	\$ 4,080,521
Payments to suppliers	(882,738)	-	100,593	(782,145)
Payments to employees	(536,892)	-	-	(536,892)
Claims paid	-	(427,957)	(1,490,614)	(1,918,571)
Net cash provided by (used in) operating activities	843,089	-	(176)	842,913
Cash Flows from Capital and Related Financing Activities				
Principal and interest paid on long-term debt	(280,811)	-	-	(280,811)
Purchase of capital assets	(864,541)	-	-	(864,541)
Proceeds from sale of assets	55,450	-	-	55,450
Net cash used in capital and related financing activities	(1,089,902)	-	-	(1,089,902)
Cash Flows from Investing Activities - Interest received on investments and other assets	1,288	-	176	1,464
Net Decrease in Cash and Cash Equivalents	(245,525)	-	-	(245,525)
Cash and Cash Equivalents - July 1, 2004	360,567	-	-	360,567
Cash and Cash Equivalents - June 30, 2005	<u>\$ 115,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,042</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 156,466	\$ -	\$ (769)	\$ 155,697
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	878,493	-	-	878,493
Changes in assets and liabilities:				
Due from other funds	-	(82,169)	(321,080)	(403,249)
Inventories	(222)	-	-	(222)
Other assets	(900)	-	-	(900)
Accounts payable	8,580	-	100,593	109,173
Accrued liabilities	(406)	82,169	221,080	302,843
Due to other funds	(198,922)	-	-	(198,922)
Net cash provided by (used in) operating activities	<u>\$ 843,089</u>	<u>\$ -</u>	<u>\$ (176)</u>	<u>\$ 842,913</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2005

	Trust and Agency	Undistributed Tax Collection	District Court	Total
Assets				
Cash and cash equivalents	\$ 2,064,911	\$ 857,662	\$ 512,989	\$ 3,435,562
Accrued interest and other assets	-	1,419	-	1,419
Total assets	<u>\$ 2,064,911</u>	<u>\$ 859,081</u>	<u>\$ 512,989</u>	<u>\$ 3,436,981</u>
Liabilities				
Accounts payable	\$ -	\$ 8,335	\$ -	\$ 8,335
Accrued and other liabilities	2,064,911	-	415,936	2,480,847
Due to other governmental units	-	850,746	97,053	947,799
Total liabilities	<u>\$ 2,064,911</u>	<u>\$ 859,081</u>	<u>\$ 512,989</u>	<u>\$ 3,436,981</u>

City of Westland, Michigan

**Federal Awards
Supplemental Information
June 30, 2005**

City of Westland, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Westland, Michigan

We have audited the basic financial statements of the City of Westland, Michigan for the year ended June 30, 2005 and have issued our report thereon dated October 18, 2005. Those basic financial statements are the responsibility of the management of the City of Westland, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Westland, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 18, 2005

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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Westland, Michigan

We have audited the financial statements of the City of Westland, Michigan as of and for the year ended June 30, 2005 and have issued our report thereon dated October 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Westland, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westland, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and
Members of the City Council
City of Westland, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 18, 2005

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Westland, Michigan

Compliance

We have audited the compliance of the City of Westland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The major federal programs of the City of Westland, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Westland, Michigan's management. Our responsibility is to express an opinion on the City of Westland, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westland, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Westland, Michigan's compliance with those requirements.

In our opinion, the City of Westland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-2.

To the Honorable Mayor and
Members of the City Council
City of Westland, Michigan

Internal Control Over Compliance

The management of the City of Westland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westland, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 30, 2005

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:	14.218	N/A	
Program year 1999 - B-99-MC-260017			\$ 8,606
Program year 2002 - B-02-MC-260017			1,672
Program year 2003 - B-03-MC-260017			87,439
Program year 2004 - B-04-MC-260017			<u>1,127,805</u>
Total Community Development Block Grant			1,225,522
Section 108 loan balance outstanding as of June 30, 2005:			
Program year 1998 - B-98-MC-26-0017	14.248	N/A	90,000
Program year 1999 - B-99-MC-26-0017	14.248	N/A	<u>350,000</u>
Total Section 108 Loan			440,000
Home Investment Partnership Program	14.239	N/A	<u>298,744</u>
Total U.S. Department of Housing and Urban Development			1,964,266
Federal Emergency Management Agency:			
Emergency Emerald Ash Borer Tree Planting Grant - Department of Natural Resources	10.664	N/A	20,000
Emerald Ash Borer Tree Removal Grant - Department of Agriculture	10.025	N/A	<u>135,284</u>
Total Federal Emergency Management Agency			155,284
U.S. Environmental Protection Agency:			
River Rouge Wet Weather Demonstration Project Round II-A Grant Program - Passed through Wayne County	66.606	X-995743-06-0	32,216
U.S. Department of Transportation:			
Newburgh Road Reconstruction - Passed through the Michigan Department of Transportation	20.205	STP0482020	1,604,374
Ford Road Streetscape Improvements - Passed through the Michigan Department of Transportation	20.205	STP0382419	<u>344,836</u>
Total U.S. Department of Transportation			1,949,210

City of Westland, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Justice:			
Office of Justice Programs:			
Local Law Enforcement Block Grants - 2002-LB-BX-0465	16.592	N/A	\$ 15,997
Local Law Enforcement Block Grants - 2003-LB-BX-0097	16.592	N/A	18,628
Bullet Proof Vest Grant Program	16.607	N/A	<u>10,077</u>
Total Office of Justice Programs			44,702
Juvenile Justice - Passed through the Michigan Family Independence Agency:			
82025-A-03	16.540	82025 I	18,792
82025-A-04	16.540	431N4001876	<u>2,718</u>
Total Juvenile Justice			<u>21,510</u>
Total U.S. Department of Justice			66,212
U.S. Department of Agriculture - Food Distribution	10.550	ERP-337.20	<u>13,939</u>
Total federal awards			<u>\$ 4,181,127</u>

City of Westland, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Revenue from federal sources - As reported on financial statements:

Primary government	\$ 1,566,320
Discretely presented component units	344,836

Federal revenue not reported in the financial statements:

Section 108 loans not recorded as revenue in the basic financial statements	440,000
Noncash assistance not recorded in the basic financial statements	13,939
MDOT activity	1,604,374
Federal revenue not reported in the basic financial statements	<u>211,658</u>

Federal expenditures per the schedule of expenditures of federal awards **\$ 4,181,127**

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Westland, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	222,265
Home Investment Partnership Program	14.239		107,851

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.205	Newburgh Road Reconstruction
20.205	Ford Road Streetscape Improvements

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section II - Financial Statement Audit Findings

None

Section III - Federal Audit Program Findings

Reference Number	Findings
2005-I	<p>Program Name - Ford Road Streetscape Improvements, CFDA 20.205</p> <p>Pass-through Entity - Michigan Department of Transportation</p> <p>Finding Type - Immaterial instance of noncompliance</p> <p>Criteria - In order to ensure compliance with the Davis-Bacon Act, job site interviews should be performed and reconciled to the certified payroll lists to ensure that prevailing wages of the locality are being paid. These job site interviews and certified payroll lists should be reviewed for compliance by the individual in charge of Davis-Bacon testing.</p> <p>Condition - The City transferred the responsibility of complying with the Davis-Bacon requirements to the engineering firm coordinating the project. However, the City did not monitor the engineering firm's procedures for ensuring compliance. Per review of the engineering firm's documentation, we noted certified payroll lists were received and job-site interviews were performed. However, there was no documentation of review by the appropriate parties, confirming compliance with the minimum wage rates.</p> <p>Questioned Costs - None</p> <p>Context - The City did not verify that individuals involved in the project were receiving appropriate wage rates in compliance with the Davis-Bacon Act.</p> <p>Cause and Effect - Individuals employed by the contractor could be receiving wages under the required minimum wage rates.</p> <p>Recommendation - The City should implement procedures to monitor the engineering firm's procedures and ensure the review of wage rate information is performed and compliance with Davis-Bacon Act documented.</p> <p>Views of Responsible Officials and Planned Corrective Action - The City agrees with this finding as written. The City will work more closely with their engineering firms and verify throughout the year that the proper review process is performed and documentation is provided.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Audit Program Findings (Continued)

Reference Number	Findings
2005-2	<p>Program Name - Ford Road Streetscape Improvements, CFDA 20.205</p> <p>Pass-through Entity - Michigan Department of Transportation</p> <p>Finding Type - Immaterial instance of noncompliance</p> <p>Criteria - In order to ensure compliance with cash management, the draw down of federal cash should be for immediate needs.</p> <p>Condition - The City transferred the responsibility of complying with the cash management requirements to the engineering firm coordinating the project. However, the City did not monitor the engineering firm's procedures for ensuring compliance. Per review of the engineering firm's documentation, the first fund reimbursement request was for more than total expenses incurred, which also included funds expended by the City for a nonparticipatory part of the project.</p> <p>Questioned Costs - None (the City did receive only the allowable amount of funds in total for the year ended June 30, 2005.)</p> <p>Context - The City did not verify that funds requested were done as a direct result of the funds expended by the City. In addition, the funds requested were related to the participatory part of the project only.</p> <p>Cause and Effect - Funds could be received in advance of City expenditures.</p> <p>Recommendation - The City should implement procedures to ensure reimbursement requests are made in accordance with expenses incurred to date.</p> <p>Views of Responsible Officials and Planned Corrective Action - The City agrees with this finding as written. The City will work more closely with their engineering firms and verify throughout the year that funds requested are directly associated with City expenditures.</p>

October 18, 2005

City Council Members
City of Westland
36601 Ford Road
Westland, MI 48185

Dear Council Members:

We have recently completed our audit of the financial statements of the City of Westland for the year ended June 30, 2005. As part of our audit, and in addition to our audit report, we have the following comments and recommendations for your consideration.

FINANCIAL RESULTS/PLANS

Due to the troubled national and state economy, the fund equity of some of the main operating funds of the City continues to be an area of focus. The following comments are made to help keep you abreast of developments affecting fund equity:

- The City was successful in increasing total General Fund balance by approximately \$2,820,000 as of June 30, 2005. This increase was primarily generated by Police and Fire Retirement and Sanitation property tax revenues in excess of applicable expenditures. The increase in the Police and Fire Retirement reserved fund balance approximated \$1,000,000 while the increase to the Sanitation reserved fund balance approximated \$550,000. In addition, with few exceptions, the departments expended less than their amended budget allocations. As a result, unreserved fund balance also increased and approximates \$2,300,000 in total at June 30, 2005. As noted in other areas of this letter, reductions of state shared revenues will continue to impact the City's ability to maintain adequate fund balance. The City has worked hard to reduce costs by not filling vacant personnel positions, monitoring some costs and delaying other costs. This effort will need to continue for the foreseeable future. To assist in this effort, we continue to encourage the updating and review of the City's 5 year plan to assist with this process.
- During the past fiscal year, the Water and Sewer Fund operations continued to generate cash from operations. A significant amount of the accumulated cash was used to retire debt and invest in capital assets.

INTERNAL CONTROL CONSIDERATIONS

During our audit, we also noted the following regarding the internal control structure:

- As we noted previously, the Police Department keeps track of their own compensated absence time and reports it to the Finance Department, instead of allowing the Finance Department to track the information through the Finance Department's computerized payroll system. We recommend that all compensated absence time accumulated in the City be tracked through the main computerized payroll system and integrated with the general ledger on a consistent basis throughout the City.
- The Tax Incremental Finance Authority and the Downtown Development Authority do not have a written contract with their landscape contractor. The existing arrangement resulted from a verbal agreement initiated by the former Economic Development Director. We recommend establishing a written contract with the contractor and have the contract reviewed by the City's attorney.
- The Local Development Finance Authority and the Downtown Development Authority budgets were not amended during the year in a timely manner to reflect certain events. Budgets should be reviewed regularly and adjusted as necessary in order to remain in compliance with the State Budget Act.
- We performed additional internal control procedures at the Mike Modano Ice Arena. The results of those procedures indicate a lack of internal controls related to the figure skating programs. A proper audit trail for these programs does not exist. We would be happy to assist the new arena manager in designing proper cash receipt procedures for those programs. The internal controls related to concessions, open skating, and ice rental appeared adequate during our testing.
- At the request of Community Development Director Jay Gilbert, we performed additional procedures related to Community Hope for Homes, a sub recipient of the City's federal funding. We have issued a separate report dated October 25, 2005 with the results of that additional testing.

MUNICIPAL FINANCE ACT REVISIONS – REMINDER

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City's year end (which means for Westland that filing is due December 31, 2005) and is good for one year thereafter.

REVENUE SHARING

State shared revenue accounts for approximately 17% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

2005

As you are probably aware, the Governor's budget for the State's 2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties only source of revenue sharing). Instead, the counties changed their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2005 fiscal year at the prior year levels. This plan was approved by the Michigan legislature and signed by the Governor.

2006

The adopted budget for the State of Michigan's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. In essence, no further reductions to revenue sharing below the current FY 04/05 funding level are being proposed. During the budget deliberation process over the spring and summer, cuts were proposed by the Legislature to revenue sharing and then subsequently restored as part of the finalized budget negotiations.

Even though revenue sharing is budgeted by the State to stay constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels and sales tax revenue would have supported an increase to total state shared revenue payments fiscal years 2004/2005 and 2005/2006, the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

A history of the City's state shared revenue over the past several years is as follows:

Year	Constitutional	Statutory	Total
2001	\$5,782,983	\$4,783,419	\$10,566,402
2002	\$5,669,237	\$4,707,508	\$10,376,745
2003	\$5,765,216	\$4,148,600	\$9,913,816
2004	\$5,702,593	\$3,207,477	\$8,910,070
2005	\$5,838,684	\$2,974,266	\$8,812,950
2006 (est.)	\$6,046,510	\$2,766,440	\$8,812,950

We will continue to update the City as developments occur.

PROPERTY TAXES

As you may recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%

The increases in the taxable value of property for 1999, 2000 and 2003 were the lowest increases since the 1994 adoption of Proposal A. Property taxes are the City's largest source of revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the City is involved in long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth on the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back".

However, subsequent to the passage of Proposal A, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation. For the year ended December, 2004, the City's Headlee maximum property tax rate for its operating levy was 6.4841 mills even though City Charter would allow the City to levy 8.0000 mills for operations. As indicated, due to the passage of Proposal A, the City will not be allowed to "roll back" up to 8.0000 mills. If the City requires additional millage capacity for operations, then a Headlee override vote would be necessary to levy the maximum mills.

TRANSPORTATION MATTERS

The State is now expecting lower than anticipated Act 51 receipts for the State's 2004/2005 fiscal year which ended September 30, 2005. The Michigan Department of Transportation reported that receipts through the six month period ended April 30, 2005 were 4% behind last year. Plante & Moran publishes annually forecasted Act 51 distribution rates which we receive from the State and are based on its forecast of anticipated collections at the State level. If actual collections are less than amounts forecasted by the Michigan Department of Transportation, this could likely result in revenue less than budgeted amounts in the City's Major and Local Street Funds. The lower than anticipated collections could impact the City's fiscal year 2005/2006 budget.

TAX MATTERS

The Governor and Legislature are working on a significant business tax reform plan. The major focus of their efforts is around the Michigan Single Business Tax. The business tax reform plans appear to spare local governments from any negative impact of the changes. A key component to most of the tax restructuring proposals is a significant credit on personal property taxes paid by certain businesses. Many questions have arisen such as who determines the property that qualifies for credit, how will local governments be reimbursed by the State for the lost tax revenue as is the stated intention, etc. The full impact on local government from these potential changes cannot be determined yet. There has also been discussion about plans to address a loophole in property tax assessments related to commercial property (known as WPW).

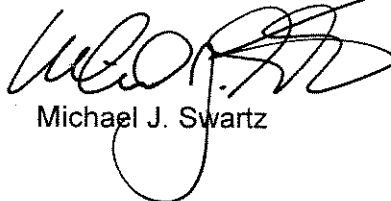
The loophole involving the inconsistent treatment of the assessment of commercial property is commonly referred to as the "WPW Case" involving the City of Troy. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This method of assessing commercial property (known as the "occupancy method") has been used by assessors to give commercial property owners a break when occupancy of their property has decreased and then to restore the taxable value of the property consistent with previous levels when occupancy increases. There are two bills in the House currently (House Bills 5096 and 5097) that have received hearings and consideration which would address this matter.

During the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appears to be municipal golf course operations but other recreation operations could become part of the scope. While there have been hearings on the subject, the subject has not received as much attention recently.

We would like to thank the City and all those involved with the audit process for their assistance, especially Steve Smith, Debra Szajko, and Dwayne Harrigan. If any questions arise on reviewing the financial statements or on the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations. Thank you for the continued opportunity to be of service.

Very truly yours,

PLANTE & MORAN, PLLC



Michael J. Swartz

MJS:bb